

FRANCES BAARD DISTRICT MUNICIPALITY



**AUDITED
FINANCIAL STATEMENTS
30 JUNE 2015**

FRANCES BAARD DISTRICT MUNICIPALITY

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FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

GRADING

0

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Frances Baard Municipality includes the following areas:

<i>Sol Plaatjie</i>	<i>Grade 4</i>
<i>Phokwane</i>	<i>Grade 2</i>
<i>Dikgatlong</i>	<i>Grade 2</i>
<i>Magareng</i>	<i>Grade 2</i>

MANAGEMENT STRUCTURE

The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.

MUNICIPAL MANAGER

Ms. ZM Bogatsu

ACTING CHIEF FINANCIAL OFFICER

Ms. O Moseki

OTHER HEADS OF DEPARTMENTS

<i>Vacant</i>	<i>Director: Administration</i>
<i>Mr. FS Mdee</i>	<i>Director: Planning & Development</i>
<i>Mr. PJ van Der Walt</i>	<i>Director: Infrastructure Services</i>

REGISTERED OFFICE

51 Drakensberg Avenue

Carters Glen

Kimberley

AUDITORS

External Auditors

<i>Auditor General</i>
<i>Private Bag X5013</i>
<i>Kimberley</i>
<i>Telephone number</i> 053 8380911
<i>Fax number</i> 053 8611538
<i>Email</i> frances.baard@fbdm.co.za

Internal Audit

The Internal Audit section is fully staffed and operational as per the municipal policy with the appointment of the Internal Audit Manager during the 2014/15 financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.

Members of the Audit Committee

<i>Mr. AL Kimmie</i>	<i>Chairperson</i>
<i>Mr. WMS Calitz</i>	<i>Member</i>
<i>Mr. T Mogoli</i>	<i>Member</i>

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

PRINCIPAL BANKER

Standard Bank
Cnr of Bultfontein & Lennox Street
Po Box 626
Kimberley
0 8300

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no. 56 of 2003)
Division of Revenue Act (Act no.10 of 2004)
The Income Tax Act (Act no. 58 of 1962)
Value Added Tax Act (Act no. 89 of 1991)
Municipal Structures Act (Act no. 117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 55 of 1998)
Unemployment Insurance Act (Act no. 30 of 1966)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

MEMBERS OF THE FRANCES BAARD DISTRICT MUNICIPALITY

COUNCILLORS

Executive Mayor	Ms. MM Moloi	Proportional
Speaker	Mr. BM Maribe	Proportional
Mayoral Committee	Ms. MM Moloi	Proportional
Mayoral Committee	Mr. W Johnson	Proportional
Mayoral Committee	Ms. PR Molefi	Proportional
Mayoral Committee	Ms. T Nicholas	Proportional
Mayoral Committee	Mr. K Rifles	Dikgatlong Municipality
Mayoral Committee	Mr. MB Silingile	Proportional
MPAC Chairperson	Ms. B.V. Ximba	Magareng Municipality
Part Time Councillor	Ms. EK Hale	Sol Plaatje Municipality
Part Time Councillor	Mr. JZ Mpampi	Sol Plaatje Municipality
Part Time Councillor	Ms. A. Boqo	Sol Plaatje Municipality
Part Time Councillor	Mr. L. Steyn	Sol Plaatje Municipality
Part Time Councillor	Mr. B Springbok	Sol Plaatje Municipality
Part Time Councillor	Ms. ET Tsimakwane	Sol Plaatje Municipality
Part Time Councillor	Mr. OC Fourie	Sol Plaatje Municipality
Part Time Councillor	Mr. PJ Vorster	Sol Plaatje Municipality
Part Time Councillor	Mr. DJP v d Merwe	Sol Plaatje Municipality
Part Time Councillor	Mr. G. Koopman	Sol Plaatje Municipality
Part Time Councillor	Ms. KG Mthukwane	Sol Plaatje Municipality
Part Time Councillor	Ms. S Witkoei	Dikgatlong Municipality
Part Time Councillor	Mr. CJS Adams	Phokwane Municipality
Part Time Councillor	Ms. AO Moremong	Phokwane Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Part Time Councillor	Mr. P. Nel	Phokwane Municipality
Part Time Councillor	Mr. M Kaars	Proportional
Part Time Councillor	Ms. GR Kok	Proportional
Part Time Councillor	Mr. MI Pholoholo	Proportional
Part Time Councillor	Mr. J Smit	Proportional

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2015, which are set out on pages 1 to 76 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2016 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Ms. ZM Bogatsu
Municipal Manager

31-Aug-15
Date

Report of the auditor-general to the Northern Cape provincial legislature and the council on Frances Baard District Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Frances Baard District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Frances Baard District Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA, and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

8. As disclosed in note 31 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of an error discovered during 30 June 2015 in the financial statements of the municipality at, and for the year ended, 30 June 2014.

Additional matters

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

10. The supplementary information set out on pages A to D does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Report on other legal and regulatory requirements

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2015:
 - Development priority 1 - Basic Services Delivery on pages x to x
 - Development priority 3 - Municipal Institutional Development and Transformation: on pages x to x
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not identify material findings on the usefulness and reliability of the reported performance information for the selected development priorities.

Additional matters

18. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development priorities, I draw attention to the following matters:

Achievement of planned targets

19. Refer to the annual performance report on page(s) x to x and x to x for information on the achievement of the planned targets for the year.

Unaudited supplementary information

20. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

21. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor - general
Kimberley*

30 November 2015



Auditing to build public confidence

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R (Actual)	2014 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		94 464 656	96 932 033
Accumulated Surplus/(Deficit)		70 161 296	73 425 979
Capital Replacement Reserve	2	9 186 800	8 182 081
Revaluations Reserve	2	15 116 561	15 323 973
Non-Current Liabilities		33 379 360	33 231 558
Long-term Liabilities	3	6 698 727	8 434 946
Employee benefits	4	26 680 633	24 796 612
Current Liabilities		22 578 680	15 961 134
Payables from exchange transactions	6	10 535 373	6 257 250
Current Portion of Long-term Liabilities	3	1 734 990	1 605 705
Provisions	0	-	-
Unspent Conditional Government Grants and Receipts	7	1 177 558	331 350
Unspent Public Contributions	8	-	15 000
Current Employee benefits	5	9 130 759	7 751 829
Total Net Assets and Liabilities		150 422 697	146 124 725
ASSETS			
Non-Current Assets		48 009 149	49 876 815
Long-Term Receivables	15	9 475 393	9 578 501
Property, Plant and Equipment	10	37 012 162	38 890 215
Intangible Assets	12	890 178	776 683
Heritage Assets	13	631 417	631 417
Non-Current Assets Held for Sale	11	-	-
Current Assets		102 413 548	96 247 910
Cash and Cash Equivalents	19	87 482 573	87 934 339
Current Investments	14	5 250 000	4 400 000
Receivables from non-exchange transactions	17	1 531 082	1 516 015
Taxes	9	6 862 911	1 207 718
Current Portion of Long-term Receivables	15	963 324	898 044
Inventory	16	323 658	291 794
Total Assets		150 422 697	146 124 725

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		102 394 822	95 052 784
Transfer Revenue		102 394 822	95 052 784
Government Grants and Subsidies	20	102 379 822	95 052 784
Public Contributions and Donations	21	15 000	-
Other Revenue		-	-
Actuarial Gains		-	-
Revenue from Exchange Transactions		8 006 697	7 038 688
Rental of Facilities and Equipment		971 687	883 288
Interest Earned - external investments / current account		6 882 359	5 841 380
Other Income	22	152 651	314 020
Gain on disposal of Property, Plant and Equipment		-	-
Total Revenue		110 401 519	102 091 472
EXPENDITURE			
Employee related costs	23	47 112 666	41 014 286
Remuneration of Councillors	24	5 690 954	5 424 122
Debt Impairment	25	-	10 695
Depreciation and Amortisation	26	3 769 090	3 944 328
Impairments	27	-	-
Repairs and Maintenance		3 254 275	3 358 590
Actuarial losses		1 210 719	1 264 435
Finance Charges - External Funding	28.1	1 052 381	1 215 443
Finance Charges - Employee benefits	28.2	1 328 389	1 084 898
Grants and Subsidies	29	37 275 977	33 641 872
General Expenses	30	12 063 939	10 945 959
Loss on disposal of Property,Plant and Equipment		110 505	397 913
Total Expenditure		112 868 896	102 302 540
NET SURPLUS (DEFICIT) FOR THE YEAR		(2 467 377)	(211 068)

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Revaluations Reserve	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2013	20 933 484	7 074 044	75 947 879	103 955 407
Change in accounting policy	-	-	-	-
Correction of error Note 31	(5 402 099)	-	(1 410 206)	(6 812 305)
Restated Balance at 1 JULY 2013	15 531 385	7 074 044	74 537 673	97 143 101
Net Deficit for the year	-	-	(211 068)	(211 068)
Revaluation of Land & Buildings	-	-	-	-
Transfer to Capital Replacement Reserve	-	3 661 500	(3 661 500)	-
Property, plant and equipment purchased	-	(2 553 462)	2 553 462	-
Offsetting of depreciation	(311 602)	-	311 602	-
Correction of error Note 31	104 190		(104 190)	-
Balance at 30 JUNE 2014	15 323 973	8 182 081	73 425 979	96 932 033
Net Deficit for the year	-	-	(2 467 377)	(2 467 377)
Revaluation of Land & Buildings	-	-	-	-
Transfer to Capital Replacement Reserve	-	3 129 360	(3 129 360)	-
Property, plant and equipment purchased	-	(2 124 642)	2 124 642	-
Offsetting of depreciation	(207 412)	-	207 412	-
Balance at 30 JUNE 2015	15 116 561	9 186 800	70 161 296	94 464 656

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 Actual R	30 JUNE 2014 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		39 198	1 204 829
Government		103 405 097	95 071 853
Interest		6 882 359	5 841 380
Dividends		-	-
Payments			
Suppliers and employees		(67 915 919)	(58 428 265)
Finance charges	28	(1 052 381)	(1 215 443)
Transfers and Grants		(37 275 977)	(33 641 872)
Net cash flow from operating activities	32	4 082 377	8 832 484
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(1 872 187)	(2 508 462)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		9 605	599
Purchase of Heritage Assets		-	-
Purchase of Intangible Assets		(252 455)	(45 000)
Increase in Long-term Receivables	15	37 828	135 571
Decrease/(Increase) in Current Investments	13	(850 000)	(600 000)
Decrease/(Increase) in Non-current Investments		-	-
Net Cash flow from Investing activities		(2 927 209)	(3 017 293)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 606 934)	(1 444 747)
New loans raised		-	-
Increase in Consumer Deposits		-	-
Net Cash flow from financing activities		(1 606 934)	(1 444 747)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(451 765)	4 370 444
Cash and Cash Equivalents at the beginning of the year		87 934 339	83 563 895
Cash and Cash Equivalents at the end of the year	33	87 482 573	87 934 339
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(451 765)	4 370 444

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	2 982 573	6 326 452	(3 343 878)	Variance due to savings on salaries, allowances and capital expenditure.
Call investment deposits	84 500 000	81 000 000	3 500 000	Variance due to savings on salaries, allowances and capital expenditure.
Consumer debtors	-	-	-	
Other Receivables	8 393 993	2 000 000	6 393 993	VAT for the year was only paid in july 2015
Current portion of long-term receivables	963 324	898 044	65 280	-
Inventory	323 658	400 000	(76 342)	-
Total current assets	97 163 548	90 624 496	6 539 052	
Non current assets				
Long-term receivables	9 475 393	9 674 254	(198 861)	-
Investments	5 250 000	-	5 250 000	-
Investment property	-	-	-	
Property, plant and equipment	37 012 162	43 794 774	(6 782 612)	Savings on capital budget
Biological Assets	-	-	-	
Intangible Assets	890 178	1 428 072	(537 895)	Amount in budget includes amortisation
Heritage Assets	631 417	-	631 417	
Total non current assets	53 259 149	54 897 100	(1 637 951)	
TOTAL ASSETS	150 422 697	145 521 596	4 901 101	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 734 990	1 785 500	(50 510)	Due to repayment of the loan
Consumer deposits	-	-	-	
Trade and other payables	11 712 931	4 500 000	7 212 931	Increases in payables
Provisions and Employee Benefits	9 130 759	6 500 000	2 630 759	Underbudget due to unavailability of post service benefits when compiling the budget.
Total current liabilities	22 578 680	12 785 500	9 793 180	
Non current liabilities				
Borrowing	6 698 727	6 684 754	13 973	-
Provisions and Employee Benefits	26 680 633	23 000 000	3 680 633	Underbudget due to unavailability of post service benefits when compiling the budget.
Total non current liabilities	33 379 360	29 684 754	3 694 607	
TOTAL LIABILITIES	55 958 040	42 470 254	13 487 787	
NET ASSETS	55 958 040	42 470 254	13 487 787	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	70 161 296	76 389 287	(6 227 991)	Based on actual performance
Reserves	24 303 361	26 662 056	(2 358 695)	Increase in Staff benefits
TOTAL COMMUNITY WEALTH/EQUITY	94 464 656	103 051 343	(8 586 686)	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	1 080 765	5 245 687	6 326 452	Adjustment to actual audited figures for 2014
Call investment deposits	81 878 906	(878 906)	81 000 000	Adjustment to actual audited figures for 2014
Consumer debtors	-	-	-	
Other Receivables	2 000 000	-	2 000 000	
Current portion of long-term receivables	-	898 044	898 044	Omitted in original budget
Inventory	400 000	-	400 000	
Total current assets	85 359 671	5 264 825	90 624 496	
Non current assets				
Long-term receivables	9 674 254	-	9 674 254	
Investments	-	-	-	
Investment property	-	-	-	
Property, plant and equipment	46 002 574	(2 207 800)	43 794 774	Roll over of capital projects
Biological Assets	-	-	-	
Intangible Assets	1 428 616	(544)	1 428 072	
Heritage Assets	-	-	-	
Total non current assets	57 105 444	(2 208 344)	54 897 100	
TOTAL ASSETS	142 465 115	3 056 481	145 521 596	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 785 500	-	1 785 500	
Consumer deposits	-	-	-	
Trade and other payables	4 500 000	-	4 500 000	
Provisions and Employee Benefits	6 500 000	-	6 500 000	
Total current liabilities	12 785 500	-	12 785 500	
Non current liabilities				
Borrowing	6 684 754	-	6 684 754	
Provisions and Employee Benefits	23 000 000	-	23 000 000	
Total non current liabilities	29 684 754	-	29 684 754	
TOTAL LIABILITIES	42 470 254	-	42 470 254	
NET ASSETS	99 994 861	3 056 481	103 051 342	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	73 332 806	3 056 481	76 389 287	Adjustment based on previous year performance
Reserves	26 662 056	-	26 662 056	
TOTAL COMMUNITY WEALTH/EQUITY	99 994 861	3 056 481	103 051 343	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-
Service charges	-	-	-	-
Rental of facilities and equipment	971 687	1 060 720	(89 033)	-
Interest earned - external investments	6 882 359	5 673 200	1 209 159	Based on actual performance of investments
Government Grants and Subsidies - Operating	102 394 822	102 897 800	(502 978)	Housing accreditation grant not budgeted for
Other revenue	152 651	115 000	37 651	Based on actual performance
Gains on disposal of PPE	-	60 000	(60 000)	Based on actual performance
Total Operating Revenue	110 401 519	109 806 720	594 799	
EXPENDITURE BY TYPE				
Employee related costs	47 112 666	54 409 690	(7 297 024)	Underspending due to vacant positions not filled accordingly
Remuneration of councillors	5 690 954	6 055 350	(364 396)	-
Debt impairment	-	3 000	(3 000)	-
Depreciation & asset impairment	3 769 090	5 380 000	(1 610 910)	Decreased capital expenditure
Finance Charges - External Funding	1 052 381	1 053 510	(1 129)	-
Finance Charges - Employee benefits	1 328 389	2 290 000	(961 611)	Lower interest and actuarial losses
Other materials	3 254 275	4 874 190	(1 619 915)	Unrealistic budget estimates not aligned to actual expenditure needs.
Grants and subsidies paid	37 275 977	44 715 701	(7 439 724)	Under performance with regards to budget estimates
Other expenditure	13 274 659	17 256 605	(3 981 946)	Unrealistic budget estimates not aligned to actual expenditure needs.
Loss on disposal of PPE	110 505	200 000	(89 495)	Under budgeted estimates
Total Operating Expenditure	112 868 896	136 238 046	(23 369 150)	
Operating Deficit for the year	(2 467 377)	(26 431 326)	23 963 949	
Net Deficit for the year	(2 467 377)	(26 431 326)	23 963 949	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Rental of facilities and equipment	1 060 720	-	1 060 720	
Interest earned - external investments	5 673 200	-	5 673 200	
Government Grants and Subsidies - Operating	101 083 000	1 814 800	102 897 800	Un - gazetted grants not budgeted for Adjustment as result Actuarial Gains calculations
Other revenue	115 000	-	115 000	
Gains on disposal of PPE	60 000	-	60 000	Adjustment based on actual receipt
Total Operating Revenue	107 991 920	1 814 800	109 806 720	
EXPENDITURE BY TYPE				
Employee related costs	54 387 590	22 100	54 409 690	
Remuneration of councillors	6 055 350	-	6 055 350	
Debt impairment	3 000	-	3 000	
Depreciation & asset impairment	5 380 000	-	5 380 000	
Finance charges	2 853 510	490 000	3 343 510	Increased to accommodate long term staff benefits
Bulk purchases	-	-	-	
Other materials	5 245 190	(371 000)	4 874 190	Based on actual needs
Contracted services	-	-	-	
Grants and subsidies paid	42 973 270	1 742 431	44 715 701	Needs to support local municipalities increased
Other expenditure	15 532 850	1 723 755	17 256 605	Deviation mainly due to provision for the new tourism centre.
Loss on disposal of PPE	200 000	-	200 000	
Total Operating Expenditure	132 630 760	3 607 286	136 238 046	
Operating Deficit for the year	(24 638 840)	(1 792 486)	(26 431 326)	
Government Grants and Subsidies - Capital	-	-	-	
Net Deficit for the year	(24 638 840)	(1 792 486)	(26 431 326)	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	39 198	145 040	(105 842)	Based on actual performance
Government - operating	103 405 097	102 463 000	942 097	Under budget
Government - capital	-	-	-	
Interest	6 882 359	5 673 200	1 209 159	More interest earned due to higher than expected cash balances
Dividends	-	-	-	
Payments				
Suppliers and Employees	(67 915 919)	(73 763 070)	5 847 151	Savings on salary budget
Finance charges	(1 052 381)	(1 569 430)	517 049	
Transfers and Grants	(37 275 977)	(37 505 226)	229 249	Over budget based on expected performance
NET CASH FROM/(USED) OPERATING ACTIVITIES	4 082 377	-4 556 486	-	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	9 605	57 000	(47 395)	
Decrease/(increase) in non-current receivables	37 828	-	37 828	
Decrease/(increase) in Current investments	(850 000)	-	(850 000)	
Payments				
Capital assets	(2 124 642)	(2 196 536)	71 894	Savings on purchases
NET CASH FROM/(USED) INVESTING ACTIVITIES	-2 927 209	(2 139 536)	-787 673	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(1 606 934)	(1 606 000)	(934)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 606 934)	(1 606 000)	(934)	
NET INCREASE/(DECREASE) IN CASH HELD	-451 765	(8 302 022)	-788 606	
Cash and Cash Equivalents at the beginning of the year	87 934 339	87 933 907	432	
Cash and Cash Equivalents at the end of the year	87 482 573	79 631 885	7 850 689	Mainly due to VAT received in the new financial year

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	145 040	-	145 040	
Government - operating	101 083 000	1 380 000	102 463 000	
Government - capital	-	-	-	
Interest	5 673 200	-	5 673 200	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(74 940 970)	1 177 900	(73 763 070)	Adjustment made i.r.o expenditure projections
Finance charges	(1 569 430)	-	(1 569 430)	
Transfers and Grants	(38 675 940)	1 170 714	(37 505 226)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	-8 285 100	3 728 614	-4 556 486	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	57 000	-	57 000	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(4 539 136)	2 342 600	(2 196 536)	Reduction due to decrease in capital needs
NET CASH FROM/(USED) INVESTING ACTIVITIES	(4 482 136)	2 342 600	(2 139 536)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(1 606 000)	-	(1 606 000)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-1 606 000	-	(1 606 000)	
NET INCREASE/(DECREASE) IN CASH HELD	(14 373 236)	6 071 214	(8 302 022)	
Cash and Cash Equivalents at the beginning of the year	97 332 907	(9 399 000)	87 933 907	Based on projected estimates
Cash and Cash Equivalents at the end of the year	82 959 671	(3 327 786)	79 631 885	Based on projected estimates

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2 PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	<p>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement basis.</p>	1 April 2015
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>or</p>	Unknown

Frances Baard District Municipality

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

	No such transactions or events are expected in the foreseeable future.	
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has revolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
IGRAP17	<p>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>or</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9 RESERVES

1.9.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 *Revaluations Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10 LEASES

1.10.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 *Municipality as Lessor*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1.14 PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - When the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.15 EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1.15.1 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 *Ex gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.4 *Provision for Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.15.5 *Staff Bonuses Accrued*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.15.6 *Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15.7 *Pension and retirement fund obligations*

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.16 *BORROWING COSTS*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the Municipality directly to the nature of the

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

expenditure to be funded. In such cases, the Municipality expense those borrowing costs related to a qualifying asset directly to the Statement of Financial Performance.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.17 PROPERTY, PLANT AND EQUIPMENT

1.17.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2 *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.17.3 *Subsequent Measurement – Revaluation Model*

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.17.4 *Depreciation and Impairment*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.5 *De-recognition*

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18 INTANGIBLE ASSETS

1.18.1 *Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is

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initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.18.2 *Subsequent Measurement – Cost Model*

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3 *Amortisation and Impairment*

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	10
Computer Software Licenses	10

1.18.4 *De-recognition*

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19 INVESTMENT PROPERTY

1.19.1 *Initial Recognition*

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at

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the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2 *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3 *Depreciation and Impairment – Cost Model*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	30

1.19.4 *De-recognition*

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20 HERITAGE ASSETS

1.20.1 *Initial Recognition*

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

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1.20.2 *Subsequent Measurement – Cost Model*

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.20.3 *Depreciation and Impairment*

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.20.4 *De-recognition*

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.22.5 *Application of deemed cost - Directive 7*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.21 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the

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technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

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1.21.2 *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
 - *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22 INVENTORIES

1.22.1 *Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.23 **FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2 *Subsequent Measurement*

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

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For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4 Non-Current Investments

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Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality’s continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the

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original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24 REVENUE

1.24.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 *Revenue from Exchange Transactions*

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

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- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 *Post retirement medical obligations, Long service awards and Ex gratia gratuities*

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3 *Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

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- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.4 *Intangible Assets*

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.30.5 *Investment Property*

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

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- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.30.6 *Provisions and Contingent Liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 *Revenue Recognition*

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 *Provision for Staff leave*

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.9 *Provision for Performance bonuses*

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.30.10 *Componentisation of Infrastructure assets*

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31 *TAXES – VALUE ADDED TAX*

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 NET ASSET RESERVES

	2015 R	2014 R
Capital Replacement Reserve	9 186 800	8 182 081
Revaluations Reserve	15 116 561	15 323 973
Total Net Asset Reserves	24 303 361	23 506 054

3 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	8 433 717	10 040 651
Current Portion transferred to Current Liabilities	8 433 717	10 040 651
Annuity Loans - At amortised cost	1 734 990	1 605 705
	1 734 990	1 605 705
Total Long-term Liabilities - At amortised cost using the effective interest rate method	6 698 727	8 434 946
	6 698 727	8 434 946

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments
Amounts payable under annuity loans:	
Payable within one year	2 659 315
Payable within two to five years	7 977 946
Less: Future finance obligations	10 637 261
Present value of annuity obligations	(2 203 544)
	8 433 717
	10 040 651

A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six-monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

4 EMPLOYEE BENEFITS

Post Retirement Healthcare Benefits - Refer to Note 4.1	15 661 878	13 803 934
Roads Post Retirement Healthcare Benefits - Refer to Note 4.1	9 475 393	9 578 501
Long Service Awards - Refer to Note 4.2	1 416 872	1 278 285
Ex-Gratia Pension Benefits - Refer Note 4.3	126 490	135 891
Total Non-current Employee Benefit Liabilities	26 680 633	24 796 612

In terms of the agreement with the Northern Cape Provincial Government these amounts will be recoverable from the Provincial Government on payment to the affected employees. Refer note 15.

Post Retirement Healthcare Benefits

Balance 1 July	25 036 299	23 330 673
Contribution for the year	394 998	359 770
Interest Cost	2 069 487	1 816 484
Expenditure for the year	(1 574 620)	(1 508 221)
Actuarial Loss/(Gain)	990 383	1 037 593
Total post retirement benefits 30 June	26 916 547	25 036 299
Less: Transfer of Current Portion - Note 5	(1 779 276)	(1 653 864)
Balance 30 June	25 137 271	23 382 435

Post Retirement Benefits: Frances Baard

Balance 1 July	14 559 754	12 718 557
Contribution for the year	394 998	359 770
Interest Cost	1 212 119	993 165
Expenditure for the year	(802 805)	(740 590)
Actuarial Loss/(Gain)	1 113 764	1 228 852
Total post retirement benefits 30 June	16 477 830	14 559 754
Less: Transfer of Current Portion - Note 5	(815 952)	(755 820)
Balance 30 June	15 661 878	13 803 934

Post Retirement Benefits: Roads

Balance 1 July	10 476 545	10 612 116
Balance previously reported	-	10 652 239
Correction of Opening balance as per Actuarial reports - note 31	-	(40 123)
Contribution for the year	857 368	-
Interest Cost	(771 815)	823 319
Expenditure for the year	(123 381)	(767 631)
Actuarial Loss/(Gain)	10 438 717	(191 259)
Total post retirement benefits 30 June	10 438 717	10 476 545
Less: Transfer of Current Portion - Note 5	(963 324)	(898 044)
Balance 30 June	9 475 393	9 578 501

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Long Service Awards</u>		
Balance 1 July	1 321 976	1 062 672
Contribution for the year	141 985	131 264
Interest Cost	105 022	80 509
Expenditure for the year	(42 346)	(10 940)
Actuarial Loss/(Gain)	81 879	58 471
Total long service 30 June	1 608 517	1 321 976
Less: Transfer of Current Portion - Note 5	(191 645)	(43 691)
Balance 30 June	1 416 872	1 278 285

	2015 R	2014 R
<u>Ex-Gratia Pensions</u>		
Balance 1 July	168 345	213 225
Contribution for the year	-	-
Interest Cost	11 248	12 098
Expenditure for the year	(34 090)	(34 090)
Actuarial Loss/(Gain)	15 076	(22 888)
Total long service 30 June	160 580	168 345
Less: Transfer of Current Portion - Note 5	(34 090)	(32 454)
Balance 30 June	126 490	135 891

	2015 R	2014 R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	26 526 621	24 606 571
Contribution for the year	536 983	491 034
Interest cost	2 185 757	1 909 091
Expenditure for the year	(1 651 056)	(1 553 251)
Actuarial Loss/(Gain)	1 087 338	1 073 176
Total employee benefits 30 June	28 685 644	26 526 621
Less: Transfer of Current Portion - Note 5	(2 005 011)	(1 730 009)
Balance 30 June	26 680 633	24 796 612

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Healthcare Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	67	53
In-service (employee) non-members	32	26
Continuation members (e.g. Retirees, widows, orphans)	49	49
Total Members		
	148	155

The liability in respect of past service has been estimated to be as follows:

In-service members	6 746 836	5 048 295
Continuation members	9 690 866	9 511 459
Roads - Continuation members	10 438 717	10 476 545
Total Liability		
	26 876 419	25 036 299

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
In-service members	4 453 000	2 940 292	3 209 359
Continuation members	18 877 000	19 823 482	16 813 413
Total Liability			
	23 330 000	22 763 774	20 022 772

	2015 R	2014 R	2013 R	2012 R
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss	1 422 000	1 122 000	41 000	(216 000)
Assets: Gain / (loss)	-	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
Bonitas
Keyhealth
LA Health
ProSano
SAMWU Medical Aid

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.59%	8.54%
Health Care Cost Inflation Rate	7.76%	7.85%
Net Effective Discount Rate	0.77%	0.64%

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R	2014 R
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Valuation reports

The last valuation was performed on 30 June 2015.

v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	25 137 271	23 382 435
Total Liability	25 137 271	23 382 435

The fund is wholly unfunded.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	25 036 299	23 330 673
Total expenses	889 865	668 033
Current service cost	394 998	359 770
Interest Cost	2 069 487	1 816 484
Benefits Paid	(1 574 620)	(1 508 221)
Actuarial (gains)/losses	990 383	1 037 593
Present value of fund obligation at the end of the year	26 916 547	25 036 299
Less: Transfer of Current Portion - Note 5	(1 779 276)	(1 653 864)
Balance 30 June	25 137 271	23 382 435

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	% change
Central Assumptions	6 747 000	20 170 000	26 917 000	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	% change
Health care inflation	1%	8 161 000	22 006 000	30 167 000	12%
Health care inflation	-1%	5 636 000	18 566 000	24 202 000	-10%
Discount rate	1%	5 652 000	18 590 000	24 242 000	-10%
Discount rate	-1%	8 164 000	22 010 000	30 174 000	12%
Post-retirement mortality	-1 year	6 984 000	21 095 000	28 079 000	4%
Average retirement age	-1 year	7 179 000	20 170 000	27 349 000	2%
Withdrawal Rate	-10%	5 567 000	20 170 000	25 737 000	-4%

The Future-service Cost for the ensuing year is estimated to be R 580,573 , whereas the Interest-Cost for the next year is estimated to be R 2,237,572 .

Sensitivity Analysis on the Future Service Cost and Interest

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		580 600	2 237 600	2 818 200	
Health care inflation	1%	734 400	2 516 800	3 251 200	15%
Health care inflation	-1%	464 000	2 004 400	2 468 400	-12%
Discount rate	1%	470 000	2 241 800	2 711 800	-4%
Discount rate	-1%	728 000	2 224 300	2 952 300	5%
Post-retirement mortality	-1 year	600 000	2 337 400	2 937 400	4%
Average retirement age	-1 year	650 000	2 274 700	2 924 700	4%
Withdrawal Rate	50%	471 700	2 136 200	2 607 900	7%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

99	79
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FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 %	2014 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.01%	8.08%
General Salary Inflation (long-term)	7.11%	7.22%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.84%	0.79%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Valuation reports

The last valuation was performed on 30 June 2015.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

2015 R	2014 R
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 416 872	1 278 285
Net liability	1 416 872	1 278 285

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2013 R	2012 R	2011 R
Total Liability	1 051 590	1 021 384

2015 R	2014 R	2013 R
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Liabilities: (Gain) / loss	86 901	79 290
Assets: Gain / (loss)	-	(5 526)

2015 R	2014 R
Reconciliation of present value of fund obligation:	
Present value of fund obligation at the beginning of the year	1 321 976
Total expenses	204 661
Current service cost	141 985
Interest Cost	105 022
Benefits Paid	(42 346)
Actuarial (gains)/losses	81 879
Present value of fund obligation at the end of the year	1 608 517
Less: Transfer of Current Portion - Note 5	(191 645)
Balance 30 June	1 416 872
	1 278 285

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1 609 000	
General salary inflation	1%	1 716 000	7%
General salary inflation	-1%	1 511 000	-6%
Discount Rate	1%	1 506 000	-6%
Discount Rate	-1%	1 724 000	7%
Average retirement age	-2 yrs	1 434 000	-11%
Average retirement age	2 yrs	1 710 000	6%
Withdrawal rates	-50%	1 996 000	24%

The Future-service Cost for the ensuing year is estimated to be R 201,377, whereas the Interest cost for the next year is estimated to be R 121,389 .

Sensitivity Analysis on the Future Service Cost and Interest

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central assumptions		201 400	121 400	322 800	
General salary inflation	1%	220 600	130 000	350 600	9%
General salary inflation	-1%	184 400	113 600	298 000	-8%
Discount Rate	1%	185 400	127 300	312 700	-3%
Discount Rate	-1%	219 700	114 300	334 000	3%
Average retirement age	-1 year	183 500	107 400	290 900	-10%
Average retirement age	-1 year	212 800	129 500	342 300	6%
Withdrawal rates	50%	290 500	152 400	442 900	37%

4.3 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 2 employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R10,450.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.27%	7.38%
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FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R	2014 R
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Valuation reports

The last valuation was performed on 30 June 2015.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	126 490	135 891
Net liability/(asset)	126 490	135 891

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
Members	142 310	575 936	833 298
Total Liability	142 310	575 936	833 298

	2015 R	2014 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	168 345	213 225
Total expenses	(22 842)	(21 992)
Current service cost	-	-
Interest Cost	11 248	12 098
Benefits Paid	(34 090)	(34 090)
Actuarial (gains)/losses	15 076	(22 888)
Present value of fund obligation at the end of the year	160 580	168 345
Less: Transfer of Current Portion to Current Employee Benefits - Note 5	(34 090)	(32 454)
Balance at end of year	126 490	135 891

	2015 R	2014 R	2013 R
Experience adjustments were calculated as follows:			
Liabilities: (Gain) / loss	14 596	(16 012)	(380 217)
Assets: Gain / (loss)	-	-	-

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	
Central assumptions	
Benefit increase rate	
Benefit increase rate	
Discount rate	
Discount rate	
Post retirement mortality	

Change	Liability (Rm)	% change
	160 580	
1%	167 447	4%
-1%	154 157	-4%
1%	154 459	-4%
-1%	167 230	4%
1 Yrs	168 873	5%

Sensitivity Analysis on the interest cost

Assumption	
Central assumptions	
Pension increase rate	
Pension increase rate	
Discount rate	
Discount rate	
Post retirement mortality	

Change	Liability	% change
	10 450	
1%	10 949	5%
-1%	9 983	-4%
1%	11 386	9%
-1%	9 426	-10%
-1 Yrs	11 053	6%

4.4 Retirement funds

The municipality requested detailed employee and pensioner information as well as information on the municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the municipality's process to value the defined benefit liabilities, the municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the municipality. Without detailed pensioner data the municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 112.6% (30 June 2013 - 105.1%).

Contributions paid recognised in the Statement of Financial Performance

4 745 719	4 062 617
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FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	351 402	183 848
SAMWU National Provident Fund	122 289	66 601
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	473 691	250 449

5

CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Healthcare Benefits - Note 4
 Roads - Current Portion of Post Retirement Healthcare Benefits - Note 4
 Current Portion of Long-Service Provisions - Note 4
 Current Portion of Ex-Gratia Pension - Note 4
 Provision for Staff Leave
 Provision for Performance Bonuses
 Staff Bonuses accrued

Total Current Employee Benefits

815 952	755 820
963 324	898 044
191 645	43 691
34 090	32 454
5 196 735	4 306 007
509 040	565 027
1 419 974	1 150 786
<hr/> 9 130 759	7 751 829

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year
 Contribution to current portion
 Expenditure incurred
 Balance at end of year

4 306 007	3 701 841
1 437 153	1 406 141
(546 426)	(801 975)
<hr/> 5 196 735	4 306 007

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Provision for Performance Bonuses

Balance at beginning of year
 Contribution to current portion
 Expenditure incurred
 Balance at end of year

565 027	464 450
485 248	434 391
(541 235)	(333 814)
<hr/> 509 040	565 027

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Staff Bonuses accrued

Balance at beginning of year
 Contribution to current portion
 Expenditure incurred
 Balance at end of year

1 150 786	1 087 873
2 407 275	2 074 908
(2 138 087)	(2 011 994)
<hr/> 1 419 974	1 150 786

Bonuses are being paid to all municipal staff, excluding managers appointed in terms of section 54 & 56 of the Municipal Systems Amendment act of 2011. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

6

PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables

Payments received in advance
 Retentions
 Sundry Creditors
 Standard Bank Fleet Card
 Salary Control: - Industrial Council

10 535 373

6 257 250

14 355	13 956
601 835	405 931
9 855 462	5 769 728
63 721	67 622
-	13
<hr/> 10 535 373	6 257 250

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.
 All payables are unsecured.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants		
National and Provincial Government Grants	1 177 558	331 350
Balance Previously Reported	1 177 558	331 350
Correction of Error (Incorrect Classification) - Note 31	-	346 350 (15 000)
Less: Unpaid Grants	-	-
National and Provincial Government Grants	-	-
Total Conditional Grants and Receipts	<u>1 177 558</u>	<u>331 350</u>
Reconciliation of total grants and receipts		
See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
8 UNSPENT PUBLIC CONTRIBUTIONS		
Unspent Public Contributions - ABSA		
Correction of Error (Incorrect Classification) - Note 31	-	15 000
Total Unspent Public Contributions	<u>-</u>	<u>15 000</u>
Reconciliation of public contributions		
ABSA		
Opening balance	15 000	-
Contributions received	-	15 000
Conditions met - Transferred to revenue	(15 000)	-
Closing balance	-	15 000
Brief description of contribution and conditions attached		
9 TAXES		
NET VAT RECEIVABLE/(PAYABLE)	<u>6 862 911</u>	<u>1 207 718</u>
VAT is receivable/payable on the cash basis.		
10 PROPERTY, PLANT AND EQUIPMENT		
10.1 Refer to note 9 on page 66		
10.2 Assets pledged as security:		
No assets are pledged as security.		
10.3 Third party payments received for losses incurred:		
Payments received (Excluding VAT)	8 277	12 773
10.4 Impairment of property plant and equipment for the year		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
Cumulative impairment charges included in major balances		
Land and Buildings	18 807 364	18 807 364
	<u>18 807 364</u>	<u>18 807 364</u>
10.5 Effect of changes in accounting estimates		
Effect on Property, plant and equipment	-	9 784.89
10.6 Revaluation of property		

The revaluation of council's land and buildings was done by Valu Data professional valuers during the 2011 / 12 financial year on the method of
- value indicated by recent sales of comparable properties in the market,
- value of the property's earning power based on a capitalisation of the first year income or projected future income, and
- the current cost of reproducing or replacing the improvements less loss in value from depreciation plus the value of land.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
11	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale at beginning of year - at book value	-	-
	Balance Previously Reported	7 225 699	(7 225 699)
	Correction of Error - GRAP 100 Revised - Note 31	-	-
	Additions for the year	-	-
	Balance Previously Reported	45 005	(45 005)
	Correction of Error - GRAP 100 Revised - Note 31	-	-
	Non-current assets sold/written off during the year	-	-
	Balance Previously Reported	(335 047)	335 047
	Correction of Error - GRAP 100 Revised - Note 31	-	-
	Non-current assets held for sale at end of year - at book value	-	-
	Non-current assets held for sale are items written off but not yet disposed at year end. Assets that needs to be transferred to the Department of Roads will be disclosed as assets held for sale until finally transferred.		
12	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	776 683	848 654
	Cost	1 178 740	1 133 740
	Accumulated Amortisation	(402 057)	(285 086)
	Additions	252 455	45 000
	Amortisation	(138 960)	(116 971)
	Net Carrying amount at 30 June	890 178	776 683
	Cost	1 431 195	1 178 740
	Accumulated Amortisation	(541 017)	(402 057)
	The following material intangible assets are included in the carrying value above		
		<u>Remaining Amortisation</u>	<u>Carrying Value</u>
	<u>Description</u>	<u>Period</u>	
	Computer programmes	10	890 178 776 683
	No intangible asset were assessed having an indefinite useful life.		
	There are no internally generated intangible assets at reporting date.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		
13	HERITAGE ASSETS		
	Net Carrying amount at 1 July	631 417	631 417
	Cost	631 417	631 417
	Acquisitions	-	-
	Net Carrying amount at 30 June	631 417	631 417
	Cost	631 417	631 417
	There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.		
	There were no Heritage Assets pledged as security for liabilities for the 2014/15 financial year.		
14	CURRENT INVESTMENTS		
	Bank Deposits	5 250 000	4 400 000
	Total Current Investments	5 250 000	4 400 000
	Fixed deposit at Standard Bank until 24 June 2016 at 7.09% interest.		
15	LONG-TERM RECEIVABLES		
	Roads Post Retirement Healthcare Benefits - Refer to Note 4.1		
	Opening Balance	10 438 717	10 476 545
	Current year movements	10 476 545	10 612 116
	(37 828)	(37 828)	(135 571)
	Total post retirement benefits 30 June	10 438 717	10 476 545
	<u>Less:</u> Transfer of Current Portion	(963 324)	(898 044)
	Balance 30 June	9 475 393	9 578 501

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

Council managed an agency service on behalf of the Department of Roads & Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per agreement, the municipality will continue payment of the post service medical aid premiums of the retired employees to the service provider. The department will refund the employers portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions.

16

INVENTORY

Consumable Stores - Stationery and materials - At cost	323 658	291 794
Total Inventory	323 658	291 794

Consumable stores materials written down due to losses as identified during the annual stores counts.	-	2 798
Consumable stores materials surpluses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	352 500	363 140

No inventory assets were pledged as security for liabilities.

17

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables	1 531 082	1 526 710
Sundry Services	535 439	496 922
Payments Made in Advance	680 791	532 206
Interest on investment	209 597	382 115
Other Sundry Debtors	73 307	106 268
Salary Control - Traffic Fines	200	200
Insurance Control Account	20 547	-
Recoverable Amounts	11 200	9 000
Total Receivables from Non-Exchange Transactions	1 531 082	1 526 710
Less: Allowance for Doubtful Debts	-	(10 695)
Total Net Receivables from Non-Exchange Transactions	1 531 082	1 516 015

Reconciliation of Provision for Bad Debts

Balance at beginning of year	10 695	-
Contribution to provision/(Reversal of provision)	-	10 695
Bad Debts Written Off	(10 695)	-
Balance at end of year	-	10 695.30

The entire provision for bad debts relates to outstanding levies for post service medical aid contributions.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18

OPERATING LEASE ARRANGEMENTS

18.1	The Municipality as Lessor (Asset)		
	Balance on 1 July	-	4 579
	Movement during the year	-	(4 579)
	Balance on 30 June	-	-
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	-	-
	Total Operating Lease Arrangements	-	-

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

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CASH AND CASH EQUIVALENTS

Assets		
Call Investment Deposits	84 500 000	78 000 000
Primary Bank Account	2 979 273	9 931 039
Cash Floats	3 300	3 300
Total Cash and Cash Equivalents - Assets	87 482 573	87 934 339

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts		
Standard Bank Kimberley Business Centre - Account Number 04 007 955 4	2 979 273	9 921 183
ABSA Bank Kimberley (Central Business District) - Account Number 940 000 327	-	9 856
	2 979 273	9 931 039

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Standard Bank Kimberley Business Centre - Account Number 04 007 955 4		
Cash book balance at beginning of year	9 921 183	322 126
Cash book balance at end of year	<u>2 979 273</u>	<u>9 921 183</u>
Bank statement balance at beginning of year	10 111 546	618 780
Bank statement balance at end of year	<u>3 211 552</u>	<u>10 111 546</u>
ABSA Bank Kimberley (Central Business District) - Account Number 940 000 327		
Cash book balance at beginning of year	9 856	38 469
Cash book balance at end of year	<u>-</u>	<u>9 856</u>
Bank statement balance at beginning of year	9 856	41 490
Bank statement balance at end of year	<u>-</u>	<u>9 856</u>

New primary bank account has been opened at Standard bank. The account at ABSA was closed on 14 July 2014.

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Absa Bank
20-7449-2590

20-7506-4106

First Rand
PVH5311041
PVH56MA00

Nedcor
CALL - 7662011402 / 000076
03 / 7662011402 / 89
03 / 7662011402 / 92

Standard Bank
048472468 084
048472468 085
048472468 089
048472468 091

19 000 000	13 500 000
9 000 000	13 500 000
4 500 000	-
5 500 000	-
15 500 000	10 500 000
10 000 000	10 500 000
5 500 000	-
22 000 000	27 500 000
9 500 000	27 500 000
7 000 000	-
5 500 000	-
28 000 000	26 500 000
10 000 000	26 500 000
8 000 000	-
4 500 000	-
5 500 000	-
84 500 000	78 000 000

20 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share

97 428 000 89 990 000

97 428 000 89 990 000

Conditional Grants

National Government
Provincial Government
Public Contributions

4 966 822 5 062 784

1 924 183 2 227 941

3 027 640 2 834 843

15 000 -

102 394 822 95 052 784

Total Grants and Subsidies

Government Grants and Subsidies - Operating

102 394 822 95 052 784

102 394 822 95 052 784

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

97 428 000 89 990 000

Executive & Council
Budget & Treasury
Planning & Development
Housing
Public Safety
Environmental Protection

49 610 -

1 327 097 1 424 648

1 895 115 2 434 792

1 380 000 983 191

315 000 2 288 364

- 5 836

102 394 822 97 126 831

The municipality does not expect any significant changes to the level of grants.

20.01 Equitable share

Opening balance

- -

Grants received

97 428 000 89 990 000

Gross Funding

97 428 000 89 990 000

Conditions met - transferred to revenue

(97 428 000) (89 990 000)

Conditions still to be met

- -

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

20.02 Financial Management Grant

Opening balance

- -

Grants received

1 250 000 1 250 000

Gross Funding

1 250 000 1 250 000

Conditions met - transferred to revenue

(1 250 000) (1 250 000)

Conditions still to be met

- -

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
20.03 Municipal Systems Improvement Grant		
Opening balance	179 068	267 008
Grants received	934 000	890 000
Gross Funding	1 113 068	1 157 008
Conditions met - transferred to revenue	(674 047)	(977 941)
Transferred to sundry revenue	(68)	(68)
Transferred back to National Treasury	(179 068)	(179 068)
Conditions still to be met	259 885	179 068
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
20.04 District Aids Council		
Opening balance	100 000	-
Grants received	500 000	100 000
Gross Funding	600 000	100 000
Conditions met - transferred to revenue	(49 610)	-
Grant expenditure to be recovered	550 390	100 000
The grant is from Department of Health to finance the costs of District Aids Councils in the campaign against AIDS and also to provide HIV /AIDS prevention care programs and services in the region.		
20.05 NEAR Control Centre		
Opening balance	-	-
Grants received	315 000	300 000
Gross Funding	315 000	300 000
Conditions met - transferred to revenue	(315 000)	(300 000)
Grant expenditure to be recovered	-	-
The grant is used to maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.		
20.06 NCPA - Housing Accreditation Grant		
Opening balance	-	-
Grants received	1 380 000	1 000 000
Gross Funding	1 380 000	1 000 000
Conditions met - transferred to revenue	(1 380 000)	(1 000 000)
Conditions still to be met	-	-
The grant is used to enable the District Municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Cooperative Governance, Human Settlements & Traditional Affairs.		
20.07 NCPA Firefighting Equipment		
Opening balance	-	-
Grants received	315 000	300 000
Gross Funding	315 000	300 000
Conditions met - transferred to revenue	-	(300 000)
Conditions still to be met	315 000	-
Grant is used to enhance municipalities' capacity to deal with fire hazards.		
20.08 SETA - Skills Grant		
Opening balance	-	-
Grants received	77 097	76 853
Gross Funding	77 097	76 853
Conditions met - transferred to revenue	(77 097)	(76 853)
Conditions still to be met	-	-
The grant is used for training and capacity building of employees as per approved Skills Work Plan.		
20.09 NCPA: EPWP: DMA Bush Clearance		
Opening balance	-	-
Grants received	1 006 000	1 000 000
Gross Funding	1 006 000	1 000 000
Conditions met - transferred to revenue	(1 006 000)	(1 000 000)
Conditions still to be met	-	-
The grant is used for clearance and vegetation control of areas in the DMA.		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
20.10 NCPA: Environmental Health Recycling Project		
Opening balance	52 283	60 272
Grants received	-	-
Gross Funding	52 283	60 272
Conditions met - transferred to revenue	-	(7 990)
Conditions still to be met	52 283	52 283
Grant is used for Frances Baard Recycling projects.		
20.11 Tourism Grant		
Opening balance	-	-
Grants received	200 000	150 000
Gross Funding	200 000	150 000
Conditions met - transferred to revenue	(200 000)	(150 000)
Conditions still to be met	-	-
20.12 Total Government Grants & Subsidies		
Opening balance	331 350	327 281
Grants received	103 405 097	95 056 853
Gross Funding	103 736 447	95 384 134
Transferred to sundry revenue	(68)	-
Transferred back to National Treasury	(179 068)	-
Conditions met - transferred to revenue	(102 379 755)	(95 052 784)
Conditions still to be met/(Grant expenditure to be recovered)	1 177 558	331 350
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	1 177 558	331 350
Unpaid Conditional Government Grants and Receipts	-	-
	1 177 558	331 350
21 Public Contributions & Donations		
21.1 ABSA		
Opening balance	15 000	-
Grants received	-	15 000
Gross Funding	15 000	15 000
Conditions met - transferred to revenue	(15 000)	-
Conditions still to be met	-	15 000
Private contribution to fund commemorative day celebrations		
21.2 Total Public Contributions & Donations		
Opening balance	15 000	-
Grants received	-	15 000
Gross Funding	15 000	15 000
Conditions met - transferred to revenue	(15 000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	15 000
<u>Disclosed as follows:</u>		
Unspent Public Contributions & Donations	-	15 000
Unpaid Public Contributions & Donations	-	-
	-	15 000
22 OTHER INCOME		
Commission: Insurance Payments	21 303	9 531
Private telephone calls / photo copies	38 530	43 127
Rentals	9 879	1 634
Discount on SALGA membership fees	37 500	-
Recovered Unauthorised, Fruitless & Wasteful Expenditure	10 128.31	183 637
Insurance Claims / Replace Stolen Assets	24 737	24 737
Study Bursaries Recovered	-	34 095
Traffic fines	-	1 954
Motor vehicle usage	5 500	-
Other	5 075	21 387
Total Other Income	152 651	320 102
Other income represents income such as insurance claims, private telephone calls and other sundry income.		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23 EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	30 918 010	26 591 891
Employee related costs – Contributions for UIF, pensions and medical aids	6 451 426	5 828 815
Motor car and other allowances	3 671 632	2 819 426
Housing benefits and allowances	265 399	205 795
Overtime	-	72 309
Leave benefit	1 437 153	1 406 142
Annual Bonus	2 407 275	2 074 908
Performance bonus	485 248	434 391
Compulsory cost: Skills Levy; Workmen's Compensation; Industrial Council Contributions	507 658	745 077
Group Insurance	431 882	344 497
Long Service Bonus	141 985	131 264
Post-Retirement Medical Aid	394 998	-
Post-Retirement Pension fund	-	359 770
Less: Employee Costs allocated elsewhere	47 112 666	41 014 286
Total Employee Related Costs	47 112 666	41 014 286

KEY MANAGEMENT PERSONNEL

Municipal Manager and all other directors are appointed on a 5-year fixed term contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Ms ZM Bogatsu

Annual Remuneration	1 647 598	1 530 260
Performance Bonuses	235 689	-
Total	1 883 287	1 530 260

Remuneration of the Director Financial Services - Mr PJ van Biljon

Annual Remuneration	-	635 886
Performance Bonuses	-	79 717
Total	-	715 603

Resigned on 31 January 2014

Remuneration of the Acting Director Financial Services - Ms O Moseki

Annual Remuneration	884 075	209 320
Performance Bonuses	-	-
Total	884 075	209 320

Remuneration of the Director Administration - Ms NG Kgantsi

Annual Remuneration	160 315	1 090 091
Performance Bonuses	101 849	79 717
Total	262 163	1 169 808

Resigned on 22 August 2014

Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt

Annual Remuneration	1 173 607	1 090 091
Performance Bonuses	97 199	84 699
Total	1 270 806	1 174 790

Remuneration of Executive Director: Planning & Development - Mr FS Mdee

Annual Remuneration	1 173 607	1 090 091
Performance Bonuses	101 849	89 681
Total	1 275 456	1 179 772

24 REMUNERATION OF COUNCILLORS

Mayor	766 897	745 621
Speaker	617 690	583 908
MPAC Chairman	320 391	274 310
Mayoral Committee Members	2 679 253	2 528 697
Councillors	1 236 981	1 184 313
Other Obligatory Contributions (Skills Levy, etc.)	69 742	107 273
Total Councillors' Remuneration	5 690 954	5 424 122

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the Council.

The Executive Mayor makes use of a municipal vehicle for official duties.

25 DEBT IMPAIRMENT

Trade Receivables from non-exchange transactions - Note 17	-	10 695
Total Contribution to Debt Impairment	-	10 695
Debt impairment recognised in statement of financial performance	-	10 695

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
26 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	3 630 130	3 827 356
Intangible Assets	138 960	116 971
	3 769 090	3 944 327
27 IMPAIRMENTS		
Property Plant and Equipment	-	-
	-	-
28 FINANCE CHARGES		
28.1 Long-term Liabilities	1 052 381	1 214 568
Finance leases	-	874
	1 052 381	1 215 443
28.2 Employee Benefits	1 328 389	1 084 898
Total finance charges	2 380 770	2 300 340
29 GRANTS AND SUBSIDIES		
29.1 Grants and subsidies paid to other municipalities		
Infrastructure grants paid to other municipalities	27 435 011	26 454 597
Dikgatlong Municipality	4 734 558	5 559 789
Streets & Storm Water	573 636	-
Refuse	-	1 984 090
Electricity	2 444 535	861 504
Sanitation	1 310 547	123 600
Water	405 840	-
Maintenance Projects	-	2 590 595
	7 500 210	9 351 581
Magareng Municipality	5 000 000	5 694 632
Water	-	1 199 983
Sanitation	2 500 210	2 456 966
Maintenance Projects		
Phokwane Municipality	8 374 432	7 043 226
Sanitation	1 510 530	1 570 408
Streets & Stormwater	251 200	-
Water	1 624 790	1 746 305
Electricity	-	665 557
Maintenance Projects	4 987 912	3 060 956
Sol Plaatje Municipality	6 825 811	4 500 000
Water	4 325 811	3 000 000
Maintenance Projects	2 500 000	1 500 000
	27 435 011	26 454 597
Total Grants and subsidies paid to other municipalities		
The municipality makes allocations to participating bodies within its area of jurisdiction. Such allocations are primarily for infrastructure development and are treated as grants in kind. Assets with regard to property, plant and equipment funded becomes the property of the participating body who controls the asset.		
29.2 Other grants paid and special projects		
Other grants paid and special projects	9 840 966	7 187 275
Grants paid to other organs of state	135 000	135 000
Northern Cape Tourism Authority	135 000	135 000
Other special projects	9 705 966	7 052 275
Council - Special Projects in the Office of the Mayor and Speaker	102 032	-
Special Projects: Office of The Municipal Manager	10 964	-
Youth unit / Manager in office of Municipal Manager	-	137 344
Communications - Communication Projects	112 662	16 111
Internal Audit	91 546	-
Financial Management & Support Programmes	2 728 420	730 597
Information Technology Projects	866	-
Employee wellness programmes	476 570	252 597
Project Management Projects	7 001	3 347
Tourism Projects	1 885 981	1 510 003
GIS Projects	594 414	772 673
Spatial Planning Projects	63 021	461 163
Planning & Development projects	760 365	977 941
IDP / PMS Projects	44 258	2 881
Other special projects continue		
Local Economic Development	2 079 508	1 489 985
Environmental Health Projects	273 217	55 478
Disaster Management	392 898	569 967
Housing Awareness	82 244	72 186
	9 840 966	7 187 275
Total Other grants paid and special projects		
Summary of Grants and Subsidies Paid		
Infrastructure grants paid to other municipalities	27 435 011	26 454 597
Grants paid to other organs of state	135 000	135 000
Other special projects	9 705 966	7 052 275
	37 275 977	33 641 872
Total Grants and Subsidies		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
30	GENERAL EXPENSES		
Accommodation		1 127 291	815 373
Audit Fees		1 887 149	1 580 224
Bank Charges		48 325	63 756
Books, Printing & Stationery		671 597	543 774
Cellphones		71 358	57 918
Cleaning Materials		54 959	42 027
Cleaning Motor Vehicles		14 079	14 633
Conferences and Seminars		219 808	188 728
Consultancy		469 369	446 883
Entertainment / Refreshments		224 778	209 093
General Expenses		313 061	235 709
General Notices		1 019 572	1 195 742
Gifts		4 036	546
Insurance		340 250	264 738
Motor vehicle operating cost		837 803	730 525
Motor Vehicle Usage		-	6 082
Municipal Services & Taxes		1 428 580	1 239 085
Office Requirements		5 516	1 145
Pauper Burials		13 200	9 600
Postage		26 742	(5 950)
Protective Clothing		28 120	31 680
Relocation Costs		221 186	402 203
SALGA Membership Fees		587 261	414 962
IA membership fees		7 523	-
Security Services		589 826	545 349
Study Bursaries		79 935	99 924
Training		794 400	1 069 290
Telephone / Data Lines		448 533	390 448
Transportation		529 683	358 554
General Expenses		12 063 939	10 952 041
31	CORRECTION OF ERROR IN TERMS OF GRAP 3		
31.1	Accumulated Surplus		
1 July 2013 - Opening Balance			
Balance Previously Reported 75 947 879			
Land and Buildings that should have been transferred to Department of Transport as the municipality no longer have control over these assets in terms of GRAP 17.			
- Cost Price		(6 969 000)	
- Accumulated Depreciation		156 695	
- Revaluation Reserve		5 402 099	
Correction of Opening balance of PEMA - Roads as per actuaries report		40 123	
Restated Net Deficit		74 577 796	
31.2	2013/2014 - Statement of Financial Performance		
Net Deficit Previously Reported		(332 852)	
Depreciation incorrectly calculated		105 705	
Payments made after reporting date:			
General expenditure		(25 116)	
Grants & Subsidies Paid		(10 000)	
Payments should be disclosed as payments made in advance and not expenditure			
Repairs & Maintenance		17 850	
Grants and Subsidies		34 553	
General expenditure		17 303	
Recalculation of leave provision		(2 120)	
Provision for bad debt		(10 695)	
Incorrect disclosure of insurance claims		(24 737)	
Loss on disposal of fixed assets			
Loss on disposal of fixed assets		(74)	
Disclosure of net amount of actuarial gains / losses		22 888	
Revenue			
Restatement of other income			
VAT incorrectly calculated on revenue		(4 247)	
Incorrect disclosure of insurance claims		24 737	
Restatement of rental income			
Recalculation of rental income		(675)	
Rental of facilities		(700)	
Restatement of loss on disposal of fixed assets			
Disclosure of net amount of actuarial gains / losses		(22 888)	
Restated Net Deficit		(211 068)	
31.3	Unspent Conditional Government Grants		
Balance Previously Reported		346 350	
ABSA contribution transferred to Public Contributions		(15 000)	
Restated Balance		331 350	

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
31.4 Unspent Public Contributions		
Balance Previously Reported		-
ABSA contribution transferred from Unspent Government Grants		15 000
Restated Balance		<u>15 000</u>
31.5 Non-Current Assets Held for Sale		
Balance Previously Reported	6 935 658	
GRAP 100 was revised and now only includes Discontinued Operations, balance was therefore transferred back to Property, Plant and Equipment.		(6 935 658)
Restated Balance		<u>-</u>
31.6 Revaluation Reserve		
Balance Previously Reported	20 621 882	
Land and Buildings that should have been transferred to Department of Transport as the municipality no longer have control over these assets in terms of GRAP 17 - Opening balance 1 July 2013.		(5 297 909)
Land and Buildings that should have been transferred to Department of Transport as the municipality no longer have control over these assets in terms of GRAP 17 - 2013/14 Financial Year.		(104 190)
Restated Balance		<u>15 219 783</u>
31.7 Property, Plant & Equipment - Accumulated impairment / Depreciation: Other Assets		
Cost		
Balance previously reported	76 372 028	
Correction of cost of revaluation		(6 570 909)
Land and Buildings that should have been transferred to Department of Transport as the municipality no longer have control over these assets in terms of GRAP 17.		412 138
Restated balance		<u>70 213 256</u>
Accumulated depreciation		
Balance previously reported	37 710 870	
Correction of Depreciation Incorrectly Calculated		(105 705)
Correction of cost of revaluation		(6 570 909)
Land and Buildings that should have been transferred to Department of Transport as the Municipality no longer have control over these assets in terms of GRAP 17.		288 786
Restated balance		<u>31 323 042</u>
31.8 Employee Benefits		
Balance Previously Reported	24 836 734	
Correction of Opening balance of PEMA - Roads as per actuaries report		(40 123)
Restated Balance		<u>24 796 611</u>
32 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(2 467 377)	(211 068)
Adjustments for:		
Depreciation	3 630 130	3 827 356
Amortisation of Intangible Assets	138 960	116 971
Loss on disposal of property, plant and equipment	110 505	397 840
Debt Impairment	-	10 695
Contribution from/to Employee Benefits - Current	4 329 676	3 915 440
Contribution from/to Employee Benefits - Current - Expenditure incurred	(3 225 747)	(3 147 783)
Contribution from/to Employee Benefits - Non-Current	2 722 740	2 400 125
Contribution from/to Employee Benefits - Non-Current - Expenditure incurred	(1 651 056)	(1 553 251)
Actuarial Gains	-	-
Actuarial Losses	1 087 338	1 073 176
Grader cost	(891 005)	-
Grader cost	891 005	
Grants Received	103 405 097	95 071 853
Grant Expenditure	(102 573 890)	(95 052 784)
Operating lease income accrued	-	4 579
Operating Surplus/(Deficit) before changes in working capital	5 506 377	6 853 149
Changes in working capital	(1 424 000)	1 979 335
Increase/(Decrease) in Trade and Other Payables	4 278 123	2 085 826
(Increase)/Decrease in Taxes	(5 655 193)	(88 621)
(Increase)/Decrease in Inventory	(31 864)	(25 392)
(Increase)/Decrease in Trade and other receivables	(15 067)	7 522
Cash generated/(absorbed) by operations	4 082 377	8 832 484
33 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 19	84 500 000	78 000 000
Cash Floats - Note 19	3 300	3 300
Bank - Note 19	2 979 273	9 931 039
Total cash and cash equivalents	87 482 573	87 934 339

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

	2015 R	2014 R
Cash and Cash Equivalents - Note 33	87 482 573	87 934 339
Investments - Note 14	5 250 000	4 400 000
Less:		
Unspent Committed Conditional Grants - Note 7	92 732 573	92 334 339
Unspent Public Contributions - Note 8	50 843 690	44 355 429
Payables from exchange transactions	1 177 558	331 350
Current Employee benefits	-	15 000
Cash Reserves to Cover Expenditure for Three Months	10 535 373	6 257 250
Resources available for working capital requirements	9 130 759	7 751 829
Allocated to:	30 000 000	30 000 000
Capital Replacement Reserve	41 888 884	47 978 910
Employee Benefits	9 186 800	8 182 081
Resources available for working capital requirements	26 680 633	24 796 612
	6 021 451	15 000 217

35

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	8 433 717	10 040 651
Used to finance property, plant and equipment - at cost	(8 433 717)	(10 040 651)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

BUDGET COMPARISONS

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
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35.1 Operational

Revenue by source

Government Grants and Subsidies - Operating	102 379 822	102 897 800	(517 978)	-1%
Public Contributions and Donations	15 000	-	15 000	100%
Rental of Facilities and Equipment	971 687	1 060 720	(89 033)	-8%
Interest Earned - external investments / current account	6 882 359	5 673 200	1 209 159	21%
Other Income	152 651	115 000	37 651	33%
Gain on disposal of Property, Plant and Equipment	-	60 000	(60 000)	-100%
	110 401 519	109 806 720	594 799	1%

Expenditure by nature

Employee Related Costs	47 112 666	54 409 690	(7 297 024)	13%
Remuneration of Councillors	5 690 954	6 055 350	(364 396)	6%
Debt Impairment	-	3 000	(3 000)	100%
Depreciation and Amortisation	3 769 090	5 380 000	(1 610 910)	30%
Repairs and Maintenance	3 254 275	4 874 190	(1 619 915)	33%
Finance Charges - Employee Benefits	1 328 389	2 290 000	(961 611)	42%
Finance Charges - External Funding	1 052 381	1 053 510	(1 129)	0%
Grants and Subsidies	37 255 977	44 715 701	(7 439 724)	17%
General Expenses	13 274 659	17 256 605	(3 981 946)	23%
Loss on disposal of Property, Plant and Equipment	110 505	200 000	(89 495)	45%
Fair Value Adjustments	-	-	-	-
	112 868 896	136 238 046	(23 369 150)	17%
Net Surplus for the year	(2 467 377)	(26 431 326)	(22 774 351)	86%

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
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35.2 Expenditure by Vote

Executive & Council	18 484 851	22 715 345	(4 230 494)	-19%
Budget & Treasury	19 986 825	25 401 120	(5 414 295)	-21%
Corporate Services	14 250 402	18 651 445	(4 401 043)	-24%
Planning & Development	48 578 567	55 801 146	(7 222 579)	-13%
Housing	4 816 511	5 863 720	(1 047 209)	-18%
Public Safety	4 399 407	5 113 720	(714 313)	-14%
Environmental Protection	2 346 833	2 691 550	(344 717)	-13%
Less Inter-Departmental Charges	-	-	-	0%
	112 863 396	136 238 046	(23 374 650)	-17%

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
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35.3 Capital expenditure by vote

Executive & Council	310 928	390 000	(79 072)	-20%
Budget & Treasury	936 106	1 365 000	(428 894)	-31%
Corporate Services	688 099	919 600	(231 501)	-25%
Planning & Development	112 891	154 000	(41 109)	-27%
Housing	25 741	44 000	(18 260)	-41%
Public Safety	36 583	46 000	(9 417)	-20%
Environmental Protection	14 294	18 000	(3 706)	-21%
	2 124 642	2 936 600	(811 958)	-28%

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R	2014 R
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36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

36.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	695 884	5 817 856
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	-	695 884
Written off by council	(695 884)	(5 817 856)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	695 884

2015

No unauthorised expenditure was incurred for 2014/15 financial year.

2014

Incident	Disciplinary steps/criminal proceedings
Finance Charges: Staff Benefits Overspend with R129 272	Will be approved on special adjustment budget during September 2014
Actuarial Losses Overspend with R787 323	Will be approved on special adjustment budget during September 2014
Loss on Disposal of PPE Overspend with R198 438	Will be approved on special adjustment budget during September 2014

36.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	275 664	187 292
Fruitless and wasteful expenditure current year	58 602	117 410
Written off by council / Recovered	(117 410)	(29 037)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	216 856	275 664

Recoverability of all fruitless and wasteful expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

36.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	582 330	223 977
Irregular expenditure current year	-	582 330
Written off by council	(582 330)	(40 340)
Transfer to receivables for recovery	-	(183 637)
Irregular expenditure awaiting further action	-	582 330
	-	-
	-	-

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

36.4 Material Losses

No material losses occurred during the year.

37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

37.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	587 261	414 962
Amount paid - current year	(587 261)	(414 962)
Amount paid - previous years	-	-

Balance unpaid (included in creditors)

37.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fee	1 887 149	1 580 224
Amount paid - current year	(1 887 149)	(1 580 224)
Amount paid - previous year	-	-

Balance unpaid (included in creditors)

37.3 VAT - [MFMA 125 (1)(b)]

Opening balance	1 193 819	1 119 098
Amounts received - current year	-	(3 702 390)
Amounts received - previous years	-	(1 119 098)
Amounts claimed - current year	5 669 092	4 896 209

Closing balance - Receivable

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
37.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	8 960 851	7 056 507
Amount paid - current year	(8 960 851)	(7 056 507)
Balance unpaid (included in creditors)	-	-

	2015 R	2014 R
37.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	8 511 637	6 824 693
Amount paid - current year	(8 511 637)	(6 824 693)
Balance unpaid (included in creditors)	-	-

	2015 R	2014 R
37.6 Other non-compliance (MFMA 125(2)(e))		

None

	2015 R	2014 R
37.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act		

Supply Chain Management Policy has been amended and adopted by Council with an effective date of 1st January 2008 for implementation.

The following deviations were allowed in terms of the Supply Chain Policy for the year under review.

Supplier	Service	Amount
2015		
Quantec Research (PTY) LTD	Annual data subscription	104 844
The Signature Hotel	Hosting of year-end function programme	57 342
Cheesy lifestyle Entertainment	Catering for youth day programme	54 000
Madibuseng Trading	Extension of work on painting of council chambers	9 260
Deloitte Consulting	Job description writing training	53 798
Wolters Kluwer Tax & Accounting Services	Teammate software for internal audit work	191 241
Price Waterhouse Coopers / Combined Systems	Data cleansing, upload of final asset register to Baud	59 280
Total		529 765
2014		
International Convention Solution	Hire centre for business plan competition	-
Price Waterhouse Coopers Combined Systems	Asset verification system purchased	144 889
Tletse Trading	Catering for youth day celebrations	94 050
Total		65 500
		304 439

38 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2014 - 0.5%) Increase in interest rates	716 498	358 721
0.5% (2014 - 0.5%) Decrease in interest rates	(358 249)	(358 721)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R	2014 R
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Long-term Receivables and Other Debtors are individually evaluated annually at Statement of Financial Position date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	10 438 717
Receivables from non-exchange transactions	1 531 082
Cash and Cash Equivalents	87 482 573
Current Investments	5 250 000
	104 702 372
	104 326 898

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities - Annuity Loans	2 505 184	8 132 077	-	-
Capital repayments	1 734 990	6 698 727	-	-
Interest	770 194	1 433 350	-	-
Trade and Other Payables	10 521 018	-	-	-
Unspent conditional government grants and receipts	1 177 558	-	-	-
Cash and Cash Equivalents	-	-	-	-
	14 203 760	8 132 077	-	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities - Annuity Loans	2 659 315	10 637 261	-	-
Capital repayments	1 606 934	8 433 717	-	-
Interest	1 052 381	2 203 544	-	-
Trade and Other Payables	6 243 293	-	-	-
Unspent conditional government grants and receipts	331 350	-	-	-
Cash and Cash Equivalents	-	-	-	-
	9 233 959	10 637 261	-	-

39 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

39.1 Financial Assets	Classification
Investments	
Bank Deposits	Financial instruments at amortised cost
	5 250 000
Receivables	
Receivables from non-exchange transactions	Financial instruments at amortised cost
	1 531 082
Short-term Investment Deposits	
Call Deposits	Financial instruments at amortised cost
	84 500 000
Bank Balances and Cash	
Bank Balances	Financial instruments at amortised cost
Cash Floats and Advances	Financial instruments at amortised cost
	2 979 273
	3 300
	94 263 655
SUMMARY OF FINANCIAL ASSETS	
Financial instruments at amortised cost	94 263 655
At amortised cost	94 263 655

39.2 Financial Liability	Classification
Long-term Liabilities	
Annuity Loans	Financial instruments at amortised cost
Capitalised Lease Liability	Financial instruments at amortised cost
	6 698 727
Payables from exchange transactions	
Other Payables	Financial instruments at amortised cost
	10 535 373
	6 257 250

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	1 177 558	331 350
Public Contributions	Financial instruments at amortised cost	-	15 000
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	1 734 990	1 605 705
Capitalised Lease Liability	Financial instruments at amortised cost	-	-
		<u>20 146 648</u>	<u>16 644 251</u>

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	<u>20 146 648</u>	<u>16 644 251</u>
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40 STATUTORY RECEIVABLES

Taxes			
VAT Receivable		6 862 911	1 207 718
Receivables from Non-Exchange Transactions			
Fines		-	-
Total Statutory Receivables		<u>6 862 911</u>	<u>1 207 718</u>

41 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2014/2015.

42 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the financial year under review.

43 PRIVATE PUBLIC PARTNERSHIPS

The municipality has not entered into any private public partnerships during the financial year.

44 CONTINGENT LIABILITY

44.1 Implementation of Task

According to the Office Bearers Act, a district municipality will be rated at the highest level at which the local municipalities in its DMA are rated. FBDM is therefore rated at Grade 4.

However, with the implementation of Task by SALGA, the municipality has been rated at Grade 2. A dispute has been declared, the outcome of which is still pending. The implication of the regarding is:

Should the appeal be successful, i.e. a higher grading, a salary increase is envisaged.
 Should the appeal not succeed, the status quo remains.

44.2 Labour Disputes

After dismissal, an employer tried to obtain a court ruling for unfair dismissal and to be re-instated in the position that she occupied before. The Labour Court ruled in her favour and ruled that she must be reinstated and that her backdated salary should be paid to her accordingly.

The municipality has resubmitted the case to the Labour Appeal Court and awaiting final ruling.

If the court of appeal rules in favour of the employer, an amount of R 1 400 555 may be payable to the employer.

45 RELATED PARTIES

Key management and councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

45.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. There are no outstanding loans as at the reporting date.

45.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

45.3 Other related party transactions

The following purchases were made during the year where councillors or staff have an interest:

None

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation and Impairment Losses				Carrying Value		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Correction of Error - Disposal	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Community Assets	1 121 141	81 583	-	1 202 724	503 208	203 629	-	-	706 837	495 887
Land & Buildings	106 676	45 000	-	151 676	85 341	7 112	-	-	92 452	59 223
Security Measures	1 014 465	36 583	-	1 051 048	417 867	196 518	-	-	614 385	436 664
Other Assets	69 047 116	1 835 603	1 048 021	69 834 696	30 819 832	3 426 500	927 910	33 318 422	36 516 275	
Land & Buildings	46 795 656			46 795 654	19 684 377	599 625	-	20 284 001	26 511 652	
Office Equipment	3 338 405	612 801	80 018	3 871 188	2 023 823	430 062	78 178	-	2 375 706	1 495 482
Furniture & Fittings	3 036 775	89 638	20 763	3 105 649	2 047 363	285 514	20 081	-	2 312 795	792 854
Plant & Machinery	1 996 576	8 386		2 004 962	1 421 293	193 516	5 546	-	1 609 263	395 699
Plant & Machinery - Residual Value	298 000		5 558	292 443	-	-	-	-	-	292 443
Emergency Equipment	1 336 057		43 848	1 292 209	700 924	181 589	43 867	-	838 646	453 563
Motor Vehicle	5 169 761	425 443	271 613	5 323 592	2 070 664	1 008 007	271 533	-	2 807 139	2 516 453
Motor Vehicle - Residual Value	2 029 861	414 850	108 400	2 336 311	-	-	-	-	-	2 336 311
Computer Equipment	5 046 025	284 486	517 822	4 812 689	2 871 388	728 189	508 705	-	3 090 871	1 721 818
Less: Transferred to Non-Current Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	-	-	-
	70 168 256	1 917 187	1 048 021	71 037 420	31 323 040	3 630 129	927 910	-	34 025 259	37 012 162

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2014

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation and Impairment Losses				Carrying Value		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Correction of Error - Disposal	Closing Balance	
Community Assets										
Land & Buildings	1 130 115	36 096	70	1 166 140	319 811	183 452	55	-	503 208	662 933
Security Measures	151 676	-	-	151 676	74 673	10 668	-	-	85 341	66 335
	978 439	36 096	70	1 014 465	245 138	172 784	55	-	417 867	596 598
Other Assets	67 421 804	2 472 367	847 054	69 047 116	27 624 559	3 643 905	448 629	-	30 819 834	38 227 282
Land & Buildings	46 169 968	625 688	-	46 795 656	19 097 268	587 111	-	-	19 684 379	27 111 277
Balance Previously Reported	59 709 877	625 688	-	60 335 565	25 824 872	692 816	-	-	26 517 688	33 817 877
Correction of Error - Note 31	(6 570 909)	-	-	(6 570 909)	(6 570 909)	(105 705)	-	-	(6 676 614)	105 705
Correction of Error - Transferred to Department of Transport - Note 31	(6 969 000)	-	-	(6 969 000)	(156 695)	-	-	-	(156 695)	(6 812 305)
Office Equipment	3 144 651	200 232	6 478	3 338 405	1 554 602	474 745	5 524	-	2 023 823	1 314 582
Office Equipment - Finance leases	2 951 375	94 049	8 650	3 036 775	1 679 459	375 087	7 183	-	2 047 363	989 412
Furniture & Fittings	1 989 976	6 600	-	1 996 576	1 112 435	308 859	-	-	1 421 293	575 283
Plant & Machinery	298 000	-	-	298 000	-	-	-	-	-	298 000
Plant & Machinery - Residual Value	1 336 057	-	-	1 336 057	520 047	180 877	-	-	700 924	635 133
Emergency Equipment	4 844 281	487 327	159 162	5 172 446	1 308 555	895 262	133 152	-	2 070 664	3 101 782
Motor Vehicle	1 704 086	594 890	271 800	2 027 176	-	-	-	-	-	2 027 176
Motor Vehicle - Residual Value	4 983 409	463 580	400 965	5 046 025	2 352 193	821 965	302 770	-	2 871 388	2 174 637
Less: Transferred to Non-Current Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Balance Previously Reported	(7 496 968)	115 830	-	(7 381 138)	(271 268)	(174 212)	-	-	(445 480)	(6 935 658)
Correction of Error - Note 31	7 496 968	(115 830)	-	7 381 138	271 268	174 212	-	-	445 480	6 935 658
Discontinued operations										
	68 551 919	2 508 462	847 124	70 213 257	27 944 370	3 827 356	448 684	-	31 323 042	38 890 215

APPENDIX A - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 JUNE 2014	Redeemed written off during the period	Balance at 30 JUNE 2015
ANNUITY LOANS					
DBSA - Frances Baard Council Chamber & Offices	103363/1	10 Years	10 040 651	1 606 934	8 433 717
Total Annuity Loans			10 040 651	1 606 934	8 433 717
LEASE LIABILITY					
Office Equipment			-	-	-
Total Lease Liabilities			-	-	-
TOTAL EXTERNAL LOANS			10 040 651	1 606 934	8 433 717

APPENDIX B - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

	Cost										ACCUMULATED DEPRECIATION					Carrying Value
	Balance at 1 JULY 2014	Residual Value at 1 JULY 2014	Additions	Revaluation Movements / Impairments	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Transfers / Adjustment s	Balance at 30 JUNE 2015	Balance at 1 JULY 2014	Additions / Impairments	Disposals	Transfers / Adjustments	Balance at 30 JUNE 2015	
Municipal Governance & Administration	62 468 682	1 779 961	1 531 531		414 850	-	938 862	108 400	(6 812 305)	58 335 457	26 977 331	2 346 302	927 263	-	28 396 370	29 939 087
Executive & Council	2 153 497	-	220 715			-	-	-	-	2 374 212	1 408 977	226 778	-	-	1 635 755	738 457
Mayor & Council	1 778 531		2 863							1 781 394	1 217 245	186 499	-		1 403 744	377 650
Office of the Municipal Manager	374 966		217 852							592 818	191 732	40 279	-		232 011	360 807
Budget & Treasury Office	53 378 064	1 779 961	521 256		414 850		936 128	108 400	(6 812 305)	48 237 298	22 323 818	1 339 174	924 934		22 738 058	25 499 240
Corporate Services	6 937 121		789 560			-	2 734		-	7 723 947	3 244 536	780 350	2 329	-	4 022 557	3 701 390
Human Resources	180 549	-	7 400				2 734			185 215	122 009	18 214	2 329		137 894	47 321
Information Technology	4 958 588	-	725 896							5 684 484	2 078 764	557 528	-		2 636 292	3 048 192
Other Admin	1 797 984	-	56 264							1 854 248	1 043 763	204 608	-		1 248 371	605 877
Community Services & Public Safety																
Community & Social Services	4 435 646	249 900	62 324			-	-	-	-	4 747 870	1 586 327	710 358	-	-	2 296 685	2 451 185
Community Services	-		-							-	-	-	-		-	-
Public Safety - Civil Defense	4 130 769	249 900	36 583							4 417 252	1 470 749	657 850	-		2 128 599	2 288 653
Housing	304 877		25 741							330 618	115 578	52 508	-		168 086	162 532
Economic & Environmental Services	9 763 225	295 000	115 937		-	-	759	-	-	10 173 403	3 318 136	712 427	647	-	4 029 916	6 143 484
Planning & Development	9 463 058	295 000	101 643			-	434			9 859 267	3 089 907	688 114	370		3 777 651	6 081 613
Environmental Protection	300 167	-	14 294				325			314 136	228 229	24 313	277		252 265	61 871
TOTAL PER STANDARD CLASSIFICATION	76 667 553	2 324 861	1 709 792	-	414 850	-	939 621	108 400	(6 812 305)	73 256 730	31 881 794	3 769 087	927 910	-	34 722 971	38 533 756
Less transferred to Non- Current Assets																
Held for Sale	-									-	-	-	-		-	-
Discontinued operations	-									-	-	-	-		-	-
Total Assets	76 667 553	2 324 861	1 709 792	-	414 850	-	939 621	108 400	(6 812 305)	73 256 730	31 881 794	3 769 087	927 910	-	34 722 971	38 533 756

* Internal Transfers

APPENDIX C - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2015

Actual Income 2014 R	Actual Expenditure 2014 R	Surplus / (Deficit) 2014 R		Actual Income 2015 R	Actual Expenditure 2015 R	Surplus / (Deficit) 2015 R
87 223 173	(48 471 850)	38 751 323	Municipal Governance & Administration	95 950 359	(52 826 466)	43 123 893
3 716 000	(15 847 187)	(12 131 187)	Executive & Council	4 732 610	(18 484 851)	(13 752 241)
3 716 000	(7 741 854)	(4 025 854)	Mayor & Council	4 732 610	(8 485 808)	(3 753 198)
-	(8 105 332)	(8 105 332)	Office of the Municipal Manager	-	(9 999 043)	(9 999 043)
83 507 173	(17 881 451)	65 625 722	Budget & Treasury Office	91 217 749	(19 986 825)	71 230 924
-	(14 743 212)	(14 743 212)	Corporate Services	-	(14 354 790)	(14 354 790)
-	(3 329 881)	(3 329 881)	Human Resources	-	(3 358 689)	(3 358 689)
-	(4 098 880)	(4 098 880)	Information Technology	-	(4 117 530)	(4 117 530)
-	(7 314 451)	(7 314 451)	Other Admin	-	(6 878 571)	(6 878 571)
1 600 000	(7 897 782)	(6 297 782)	Community Services & Public Safety	1 695 000	(9 111 530)	(7 416 530)
600 000	(4 410 769)	(3 810 769)	Community & Social Services	315 000	(4 295 019)	(3 980 019)
-	(4 410 769)	-	Community Services	-	(4 295 019)	-
600 000	(3 487 013)	(3 810 769)	Public Safety - Civil Defense	1 380 000	(4 816 511)	(3 436 511)
1 000 000	(2 487 013)	(2 487 013)	Housing			
13 274 380	(45 938 990)	(32 664 610)	Economic & Environmental Services	12 750 660	(50 925 401)	(38 174 741)
10 266 391	(43 948 380)	(33 681 989)	Planning & Development	9 750 660	(48 578 567)	(38 827 907)
3 007 990	(1 990 610)	1 017 380	Environmental Protection	3 000 000	(2 346 833)	653 167
102 097 553	(102 308 622)	(211 068)	SUB TOTAL	110 396 019	(112 863 396)	(2 467 377)
-	-	-	Discontinued Operations	-	-	-
102 097 553	(102 308 622)	(211 068)	TOTAL	110 396 019	(112 863 396)	(2 467 377)

APPENDIX D - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2014	Correction of error	Balance 1 JULY 2014	Grants Received	Write Offs/ Transfers	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
	R	R	R	R	R	R	R
Equitable Share	-	-	-	97 428 000	-	97 428 000	-
Financial Management Grant	-	-	-	1 250 000	-	1 250 000	-
Municipal Systems Improvement Grant	179 068	-	179 068	934 000	179 068	674 115	259 885
DWA - Sanitation (Mvula Trust)	-	-	-	-	-	-	-
NC Tourism - Contribution Tourism Month	-	-	-	-	-	-	-
Department of Public Works: Expanded Public Works Program Inc	-	-	-	-	-	-	-
District Aids Council	100 000	-	100 000	500 000	-	49 610	550 390
NEAR Control Centre	-	-	-	315 000	-	315 000	-
NCPA - Housing Accreditation Grant	-	-	-	1 380 000	-	1 380 000	-
NCPA Firefighting Equipment	-	-	-	315 000	-	-	315 000
NCPA - Eradication of Bucket System	-	-	-	-	-	-	-
MIG - Projects	-	-	-	-	-	-	-
SETA - Skills Grant	-	-	-	77 097	-	77 097	-
NCPA: Vuna Awards	-	-	-	-	-	-	-
DWA: Backlogs in Water & Sanitation at Clinics and Schools	-	-	-	-	-	-	-
NCPA: EPWP: DMA Bush Clearance	-	-	-	1 006 000	-	1 006 000	-
NCPA: Environmental Health Recycling Project	52 283	-	52 283	-	-	-	52 283
Tourism Grant	-	-	-	200 000	-	200 000	-
ABSA	15 000	-	15 000	-	-	15 000	-
Total	346 350	-	346 350	103 405 097	179 068	102 394 822	1 177 558